



STATE OF CALIFORNIA  
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## MEMORANDUM

To: Gerald H. Goldberg

April 11, 2003

From: Titus S. Toyama

Subject: FY 2003-04 Proposed Budget for Franchise Tax Board

The Governor's Budget proposes a total of \$445.2 million and 5,914 positions for FTB in FY 2003-04. This includes \$378.7 million (or 85 percent) for the administration of the Personal Income and Corporation Tax programs, and \$66.8 million (15 percent) for non-tax debt collections, processing Homeowners and Renters Assistance claims, and developing the statewide Child Support system. The 2003-04 proposed amount is a decrease of \$16.4 million compared to the current year, which is largely the result of reductions in one-time funding for completed projects.

### **The major budget changes include:**

- Real Estate Withholding on Residents – Increase of \$2.8 million and 56 personnel years (PY's) for ongoing administration of this program.
- Mandatory E-File for Tax Practitioners – Savings of \$1.4 million and 51 PY's.
- Reduced Outreach Activities – Savings of \$451,000 and 5 PY's due to reduced community and small business outreach services, discontinuing the California Tax Policy conference, and reduced consultant services related to federal legislation.
- Legal Workloads - \$422,000 and 4 PY's to continue Legal workloads associated with completing audit protest cases within 33 months.
- Underground Economy - \$518,000 and 6 PY's to continue a pilot project for investigating cash pay/underground economy where taxable income is underreported.

A listing of the FTB budget change proposals is attached.

For the current fiscal year, the FTB budget has been reduced by \$9.1 million for various program savings pursuant to mid-year spending reductions.

Chief Financial Officer

Attachment